



Revealed: 5 Dirt-Cheap Oil Stocks Trading Under \$5

Description

Oil has been a tough investment over the last few weeks.

Transportation shortages have forced the price of Western Canadian heavy crude down, leading to a massive +\$40-per-barrel spread versus the benchmark North American light oil price. Two of the refineries that process Alberta's heavy oil are also down for maintenance, which certainly hasn't helped.

The good news is this weakness has created a great buying opportunity. The spread between the two prices may never go away completely, but investors who get in now will likely see their investment head higher as the market becomes more bullish on Alberta's oil producers.

These five oil stocks are some of the cheapest out there. Let's take a closer look at each.

Baytex Energy ([TSX:BTE](#))(NYSE:BTE)

Baytex is one company feeling the pain from heavy oil weakness. The company owns two heavy oil fields just outside Peace River and Lloydminster in Alberta, which account for about 25% of total production.

Still, there's a lot to like here. The company recently completed its acquisition of Raging River, which added a number of intriguing light oil assets. The company plans to reinvest its free cash flow into new drilling over time, increasing total production from approximately 90,000 barrels per day today to 150,000 barrels per day by 2023. Even if oil remains between \$60 and \$70 per barrel, Baytex should generate enough free cash flow to internally fund this expansion project.

Athabasca Oil ([TSX:ATH](#))

Athabasca has long owned a bunch of attractive assets without the means to get them out of the ground. The solution to this problem has traditionally been to sell off the best projects to other producers.

The good news is this allowed the company to successfully pivot from a heavy oil producer to one that

features both light and heavy oil. Production these days is approximately 40,000 barrels per day, with heavy oil accounting for about 75% of production. This will move closer to a 50/50 mix over the next couple of years, as it brings more light oil from the Duvernay and Motney regions online.

Investors also need to remember Athabasca has massive tax loss credits. Once it starts making money, it won't have to pay taxes for a very long time.

Birchcliff Energy ([TSX:BIR](#))

Birchcliff is a light oil producer with operations exclusively in the Motney region near Grande Prairie, Alberta. No heavy oil overhang is a good thing.

Like the other producers in the region, Birchcliff is happy with the economics of drilling in the Motney and plans to grow production there going forward. The company is also partnering with **AltaGas** for a long-term natural gas processing contract. Birchcliff owns an impressive collection of natural gas reserves in the area.

Finally, the stock pays investors a dividend of 2.5 cents per share each quarter. That works out to a 2.4% yield.

Advantage Oil and Gas ([TSX:AAV](#))

Advantage has been primarily a natural gas producer that is aggressively expanding its oil production. By 2020 the company estimates more than 20% of production will be oil. With natural gas prices still languishing well below 2014 levels, this pivot looks like it could pay handsome dividends.

The company also offers investors low-cost production, a solid reserve base, and a good balance sheet without the kinds of debt problems that have plagued so many of its peers.

Precision Drilling ([TSX:PD](#))([NYSE:PDS](#))

Precision is currently in the middle of making a big acquisition. It announced about a month ago it had agreed to acquire **Trinidad Drilling** in an all-stock deal.

The move should generate \$30 million in synergies along with potential for more in the future. It should also immediately increase free cash flow per share and allow the newly combined company to more aggressively pay down its debt.

A leaner Precision will be in a good spot to capitalize when the sector really starts humming again.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PDS (Precision Drilling Corporation)
2. TSX:AAV (Advantage Oil & Gas Ltd.)
3. TSX:BIR (Birchcliff Energy Ltd.)

4. TSX:BTE (Baytex Energy Corp.)
5. TSX:PD (Precision Drilling Corporation)

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